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**South Carolina**

**Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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LANDER COLLEGE

AGENCY

SEPTEMBER 16, 1986

DATE

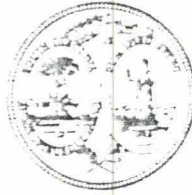


STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-2150

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HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

September 16, 1986

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Lander College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant three (3) years certification as outlined in the audit report.

Sincerely,

A handwritten signature in dark ink, appearing to read "WJ Clement".

William J. Clement  
Assistant Division Director

kl -  
Attachments

LANDER COLLEGE  
AUDIT REPORT

July 8, 1986

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EXECUTIVE DIRECTOR

July 8, 1986

William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Lander College for the period July 1, 1984 through March 31, 1986. As part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing a recommendation for certification above the \$2,500 limit.

The administration of Lander College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The

objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions, enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Lander College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

*R. Voight Shealy*

R. Voight Shealy, Manager  
Audit and Certification



## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of Lander College.

Our on-site review was conducted April 23, 1986 through May 15, 1986 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Additionally, our work was directed toward assisting the agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with

clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.



BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services Office shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code states in part:

In procurement audits of governmental bodies thereafter, the auditors from the Division of General Services Office shall review the adequacy of the system's internal controls in order to ensure compliance with the requirements of this code and the ensuing regulations.

The current certification limits expire December 18, 1986. Our audit was performed primarily to determine if recertification is warranted. Additionally, Lander College requested the increased certification limits listed below:

<u>CATEGORY</u>	<u>CERTIFICATION REQUEST</u>
Goods and Services	\$20,000 per commitment
Consultants	\$10,000 per commitment
Construction	\$30,000 per commitment
Information Technology	\$10,000 per commitment

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Lander College and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions up to the requested certification limits.

The Office of Audit and Certification of the Division of General Services selected random samples for the period July 1, 1984 - March 31, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;

- (9) warehousing, inventory and disposition of surplus property;
- (10) economy and efficiency of the procurement process;  
and
- (11) approval of Minority Business Enterprise Plan.



## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Lander College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>COMPLIANCE - GOODS AND SERVICES</u>	9
Two procurements were not made in compliance with the Code.	
II. <u>COMPLIANCE - SOLE SOURCE PROCUREMENTS</u>	10
Several problems were found in the sole source area including two procurements that were not sole sources; three justifications prepared after commitments had been made meaning the procurements were unauthorized; failure to report two sole source transactions; and eight transactions reported that should not have been.	
III. <u>ACCOUNTS PAYABLE</u>	12
In one instance payment was made without the supporting receiving report and in three cases discounts were lost.	

## RESULTS OF EXAMINATION

### I. Compliance - Goods and Services

As part of our review of procurements in the area of goods and services, we selected a sample of transactions from the period July 1, 1984 - March 31, 1986 to verify compliance to the Code and regulations. We found the majority of these transactions to be handled properly; however, we noted two exceptions.

Purchase order 14655 for \$3,619.50 which was issued for the installation of a heating/air conditioning unit was supported by three written quotations. The Code, in Section 11-35-1520, requires that competitive sealed bidding be used for procurements greater than \$2,500.00

Purchase order 16120 totalling \$2,646.80 was issued for dictating equipment based on two sealed bids. A solicitation from a minimum of three qualified sources, pursuant to regulation 19-445.2035, is required for a procurement of this dollar amount.

We recommend that Lander make future procurements in compliance with the Code and regulations relative to solicitation methods and the number of qualified sources selected.

### AGENCY RESPONSE

The two exceptions have been duly noted and care will be taken to assure that future procurements are made in compliance with the code and regulations relative to solicitation methods and the number of qualified sources selected.

## II. Compliance - Sole Source Procurements

We reviewed the quarterly reports for sole source procurements for the period July 1, 1984 - March 31, 1986 for compliance to the Code, regulations and internal operating procedures. The majority of these transactions were properly justified and accurately reported to the Division of General Services. However, we did have the following types of exceptions.

1. The following procurements were made improperly as sole sources. Competition should have been solicited.

<u>Purchase Order</u>	<u>Amount</u>	<u>Service</u>
16961	\$3,198.25	Rental of pagers
21294	\$3,333.96	Rental of pagers

2. The determinations for the following three sole source procurements were approved after the fact. The Procurement Code requires that sole sources be approved by persons with requisite authority. Since such approval was not obtained before the purchase commitments were made these transactions must be considered unauthorized procurements.

<u>Purchase Order</u>	<u>Amount</u>	<u>Service</u>
15554	\$1,000.00	Consultant
21888	\$1,000.00	Evaluating Academic Support Programs
22035	\$ 600.00	Lecturer

3. Section 11-35-2440 of the Procurement Code requires governmental bodies to submit quarterly a record of all sole source procurements to the chief procurement



officers. The following two transactions were not included on the college's reports.

<u>Purchase Order</u>	<u>Amount</u>	<u>Service</u>
16961	\$3,198.25	Rental of pagers
20027	\$ 795.00	Maintenance-mailing machine

4. The following eight transactions should not have been reported to General Services for the reasons noted:

<u>Purchase Order</u>	<u>Amount</u>	<u>Service</u>
14745	\$ 550.00	Exempt funds
15038	\$ 750.00	Exempt funds
15306	\$1,000.00	Exempt funds
19788	\$ 850.00	Exempt funds
19789	\$ 850.00	Exempt funds
19790	\$1,500.00	Exempt funds
15132	\$ 200.00	Less than \$500.00
19011	\$6,865.03	Per diem reimbursement to Board of Trustees

We recommend that Lander implement procedures to assure that each transaction determined to be a sole source is properly justified and is reported to General Services. Amended quarterly reports should be filed with the Division to correct reporting inaccuracies indicated above. The three unauthorized procurements must be ratified by the President of the College in accordance with regulation 19-445.2015.

#### AGENCY RESPONSE

Departments involved in the unauthorized procurements have been reminded of procurement requirements and care will be taken to properly justify and report sole source procurements. Amended quarterly reports are being filed with the Division to correct reporting inaccuracies and the three unauthorized procurements have been ratified by the President of the College.

### III. Accounts Payable

Voucher 6008 was issued against purchase order 20571 without a receiving report to verify the receipt of the items ordered. Good internal control requires that a receiving report be prepared confirming receipt of goods.

On the following three vouchers discounts were lost.

<u>Purchase Order</u>	<u>Voucher</u>	<u>Terms</u>	<u>Discount Lost</u>
21932	9313	1%-10	\$ 5.75
19269	2173	1%-10	\$27.20
19729	2286	2%-Tenth of next month	\$22.86

We recommend that receiving reports be obtained and applicable vendor discounts be taken on all transactions. Payment control is critical to do completion of the procurement process.

#### AGENCY RESPONSE

The college will take care to see that such exceptions do not occur in the future.

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### CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report we believe, will in all material respects, place Lander College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Lander College should take this corrective action prior to October 31, 1986.

Under the authority described in Code Section 11-35-1210, subject to this corrective action, we recommend Lander College be certified to make direct agency procurements up to the limits as follows:

<u>Procurement Areas by Commodity Group</u>	<u>Recommended Certification Limits</u>
Goods and Services	* \$20,000 per commitment
Consultants	* \$10,000 per commitment
Construction	* \$25,000 per commitment
Information Technology excluding printing equipment that must be approved by the Division of Informa- tion Resource Manage- ment	* \$10,000 per commitment

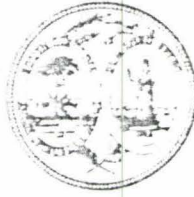
\* This limit means the total potential purchase commitment to the State whether single-year or multiterm contracts are used.

  
\_\_\_\_\_  
Larry G. Sorrell  
Audit Manager

  
\_\_\_\_\_  
R. Voight Shealy, Manager  
Audit and Certification



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EXECUTIVE DIRECTOR

September 16, 1986

Mr. William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Bill:

We have returned to Lander College to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1984 through March 31, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

The Office of Audit and Certification observed that Lander College has corrected the few problem areas found in their procurement system. We feel that, with the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We, therefore, recommend that the certification limits as outlined in the audit report be granted for a period of three (3) years.

Sincerely,

A handwritten signature in dark ink that reads "R. Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification

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